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FACT SHEET

SB 496 (Kuehl)

Medi-Cal Administrative Activities

Background:

The Medicaid Administrative Activities (MAA) program established under the Federal Social Security Act, allows states to claim Medicaid reimbursements from the federal government for eligible administrative activities performed by a variety of entities such as school districts, community clinics, and public hospitals. This bill addresses MAA reimbursement for school districts. DHS estimates that the state will receive approximately \$430.0 Million for 2004-2005. (This is an estimate taken from a recent Budget Change Proposal submitted by DHS.)

Under the MAA program, school districts and other educational entities, known as Local Educational Agencies (LEA), which perform certain administrative activities for Medi-Cal recipients, can be reimbursed for 50% of the costs of such activities. Administrative activities performed by school districts and other eligible educational entities include outreach and enrollment in Medi-Cal; coordination of Medi-Cal services such as arranging for transportation to needed services for qualified Medi-Cal recipients, coordination of translation services related to Medi-Cal covered services, and costs associated with meetings held to develop the MAA work plan for the district and meetings held to discuss policies related to the MAA program.

LEAs are not authorized to submit claims to Medicaid individually. Instead, they must work through a Local Educational Consortium (LEC) which has contracted with DHS to administer the program regionally. The term Local Educational Consortium (LEC) represents the one school district or County Office of Education (COE) within each region holding a contract with DHS to coordinate the MAA program for school districts and county offices of education (LEAs) within its region. In some instances, county offices of public health (known within the program as Local Governmental Agencies or LGAs) have opted to serve as the regional administrative entity for MAA. However many public health departments do not opt-in to make these services available to school districts and so it is an unreliable option for school districts. MAA does not require use of any state funds. Instead, school districts and other educational entities fund these activities from local sources, and then may work through LECs to apply for federal reimbursement.

The Problem:

Many schools now perform billable activities, but only 42% of school districts claim the MAA reimbursements. As a result, California schools are leaving substantial unrestricted federal dollars unclaimed.

One reason for this is that many school districts face poor service and high fees from their regional LECs, yet they have no real options for change. School districts that want to participate in MAA must

contract with the LEC in their region which has been appointed in perpetuity by DHS to provide these administrative services without any competitive bidding process or any mechanisms to hold LECs accountable for the cost and quality of their services. Complaints of excessive fees, distribution of inconsistent and incorrect informational materials, and slow and inefficient processing of claims are widespread.

Additionally, many LECs are performing inadequate outreach to school districts. Although the LECs are responsible for the school districts in their region, they are not mandated to reach out to and inform their districts about the MAA program. As a result many smaller school districts are completely ignored and are not aware of the program.

Ultimately, the school districts have no voice in the MAA administrative process. To participate in the program, they must contract with an LEC and pay an administrative fee that is determined by the LEC. If they are not satisfied with the LECs services and fees, the districts have little recourse. There is no formal grievance process for school districts. They do not have an opportunity to provide feedback on the program or recommendations for improvements.

This bill:

(1) *Puts a five year sunset on LECs and creates a competitive process for selecting an LEC.* The bill requires DHS to conduct a competitive bidding process in contracting with an LEC. This type of competition would allow other county offices of education, or other appropriate educational entities (such as a large school district), to apply to be the LEC in one of the 11 regions. LECs will also be required to report information on their performance to DHS annually, further increasing accountability.

(2) *Allows school districts to contract with any LEC in the state, not just the LEC in their region.* This provision allows school districts to contract with any LEC in the state, providing them real choice. School districts happy with their LEC can stay with that LEC; others can “fire” their LEC and choose another.

(3) *Requires LECs to reach out to and inform all school districts in their service regions about the MAA program and encourage them to participate.* This will increase the number of school districts that participate in MAA and increase the amount of federal reimbursement dollars for CA.

(4) *Requires only program materials developed by DHS to be used for claiming.* This provision ensures uniformity and consistency in the program. Currently, widespread misinformation and confusion regarding the federal claiming regulations could threaten the viability of the program in the face of an audit from the federal government. Uniform materials will help to prevent misinformation and misuse of the program and better protect school districts from disallowances.

(5) *Creates a 15-member Advisory Committee for MAA, with nearly half of participants being school district representatives.* The Advisory Committee will assist DHS in developing criteria for the competitive process and developing a grievance process for school districts (LEAs). The Advisory Committee will also offer school districts the opportunity to provide feedback about the program and offer recommendations to improve the program. This will help increase participation of school districts in MAA. The committee will also help address the inconsistency problem among regions of the state.

School districts are the leading source of information for families enrolling their children in Medi-Cal and Healthy Families. Outreach and enrollment by school districts is essential to children’s ability to access health care. By fully utilizing the resources available through MAA, school districts can greatly expand their outreach and enrollment activities at no new cost to the state.

Please vote yes on SB 496 (Kuehl). Contact Sara Rogers at 445-1353 with any questions.